

Section 172 Statement and Stakeholder Engagement

The Board is responsible under section 172 of the Companies Act 2006 for promoting the long term success of the Company for the benefit of its shareholders, and acknowledges that its decisions have a long term impact on other stakeholders, the environment and the Company's reputation for high standards of business conduct. The Board appreciates that wider engagement with stakeholders is an important component of long term sustainability and success and believes that by engaging with all important stakeholders, the business is made stronger and more resilient. The following case studies illustrate how the Board has considered their section 172 duty in making principal decisions.

Case Study

Expansion of Uldum Warehouse

s172 Considerations:



In September 2020, the Board considered the proposal to expand the Logistics hub in Denmark. The existing warehouse is based in Uldum, Denmark which is very close to the main nutrition markets, has good links to Germany and access to ports.

There are seven stages to the warehouse expansion plan and the first phase is to build a new warehouse with an underground cold storage facility. The underground cold storage facility will replace six refrigerated containers and external facilities. In addition the capex of €7.0 million will deliver 1,200 sustainable cold storage pallet spaces in the basement and 6,600 ambient pallet spaces on the ground floor, providing a strategic and cost effective solution for five to seven years.

In consideration of section 172 duties, it was agreed by the Board that the Uldum Warehouse expansion will provide:

- sufficient pallet spaces, reducing the need to rely on external facilities and will enable the warehouse to grow with the business. This will, in the long term, reduce costs and increase profitability for the business and the shareholders;
- continued and new employment opportunities for the local community;
- better motivation among current employees who see the increased investment in the site; and
- a sustainable solution for the cold storage requirements of the business.

The Board also considered the potential disruption to the existing business, but agreed that this would be minimal as the warehouse was being built on unutilised land away from the current site, meaning normal operations and traffic flows would be unaffected.

Outcome: The build commenced in January 2021 and we expect the warehouse to be ready in September 2021.



Section 172 Factors Key

- Likely consequences of decisions in the long term
- The interests of the Company's workforce
- The need to foster relationships with suppliers, customers and others
- Impact of operations on the community and environment
- High standards of business conduct
- The need to act fairly between members of the Company

Case Study

Implementation of an electronic Quality Management System

s172 Considerations:



As part of our continued investment in DPM&S, the Board considered in June 2020 the implementation of an electronic Quality Management System (eQMS) which would provide an integrated system for the information and processes in the life cycle of our products.

The Board considered the section 172 duties, noting that:

- **Community:** although there was no major impact expected, the reduction in the reliance on paper based systems (and associated storage) will assist further the sustainability agenda;
- **Employees:** the system will provide an information source which will enable easier collaboration for complex processes across DPM&S with a repository of information in one system. This will ultimately increase employee productivity and job satisfaction and these benefits will outway any short term disruption arising from the need to train employees in the use of the new system;
- **Suppliers:** the new system provides a harmonised and consistent platform allowing faster processing and improved communication related to the management of our suppliers;
- **Customers:** the use of an electronic system will provide wider visibility of the quality systems and data allowing us to be more agile which will maintain the consistency of supply of Dechra's products and reduce the overall cost of supply; and
- **Shareholders:** the improvements in regulatory and quality systems will enable faster and more consistent supply with lower cost; this will enhance shareholder value through better financial performance and a better reputation in the markets that we operate. The new system will also support future acquisition and growth, providing a Dechra platform and regulatory and quality framework (system and business processes) to integrate new products and entities. This will further enhance shareholder value.

The adoption of the eQMS system is clearly aligned with the Group's strategy to support growth by facilitating prior and future acquisitions to be integrated by using the new platform. Its adoption will harmonise and improve existing business processes, facilitating faster and more effective time to market for new products and market extensions. Crucially, it will make it easier to maintain our compliance standards around existing business processes and current products. It also allows the adoption of a cloud approach, which will future proof this major and critical investment for Group.

Outcome: The Board approved the project which commenced in July 2021.

Case Study

Skipton

s172 Considerations:



Following the acquisition of the freehold to Building 3 at Skipton, the DPM&S team have considered the long term site master plan and submitted for Board approval a capex request (of £5.5 million) as the first part of the project to develop the site, which would deliver a new state of the art QC laboratory, additional warehousing space, new canteen, reception and office space, and a pilot plant and training area. The Board considered their section 172 duties noting that the Skipton site master plan phase 1 project was in line with the manufacturing and supply chain enabler and would affect the following:

- **Employees:** enable the right flow of traffic and movement of goods on site making employees feel safer, providing an improved environment to perform their roles, in particular the QC department, a better training environment, a better canteen facility, and allows the next step of building the potency suite to further protect our employees from any potential harmful substances;
- **Customers:** allows the next steps of increasing capacity of the solid dose facility and maintaining the quality of the products through new equipment, improving supply reliability from the Skipton site, particularly with higher throughput testing in the QC laboratory, and creates additional space to bring in more products and be in control of the supply of these products to our customers;
- **Shareholders:** the improvement in supply reliability will enhance shareholder value through better financial performance and a better reputation in the markets that we operate; and
- **Community:** improves the traffic flow in the immediate area and provides long term security of the site to the local community.

Outcome: The Board approved the capex and it is anticipated that work will commence in the 2022 financial year.

Section 172 Statement and Stakeholder Engagement continued

The table below shows who the Board has identified as important stakeholders, why they feel it is important to engage, how they have engaged and where you can read more information on the Board's approach to their section 172 duty.

 Employees: To make Dechra a great and safe place to work, and attract, retain and develop talent		
How We Engage <ul style="list-style-type: none"> Group intranet Town Hall meetings Engagement surveys Employee Engagement Designated Non-Executive Director Performance Development Reviews, and employee development and training Direct communication to all employees from the Chief Executive Officer 	Material Interests <ul style="list-style-type: none"> Development opportunities Making a difference Agile and friendly place to work 	Where You Can Read More  Read more on pages 19, 58 to 64, 96, 97 and 102.
 Veterinary Professionals: To improve animal health and welfare		
How We Engage <ul style="list-style-type: none"> Educational and training programmes Technical support via helplines and product information PhD veterinary student funding 	Material Interests <ul style="list-style-type: none"> Innovative and effective products Information on correct use of products Educational opportunities 	Where You Can Read More  Read more on pages 19, 69 to 73 and 96.
 Shareholders: To instil trust and confidence and allow informed investment decisions to be made		
How We Engage <ul style="list-style-type: none"> Annual Report and RNS announcements Annual General Meeting Investor presentations Corporate website One-on-one meetings 	Material Interests <ul style="list-style-type: none"> Financial performance Delivery of strategy Environmental, Social and Governance performance 	Where You Can Read More  Read more on pages 19, 95 and 102.
 Communities: To give back to the communities in which we operate		
How We Engage <ul style="list-style-type: none"> Community activities Group donations Product and local donations Development and education of young people 	Material Interests <ul style="list-style-type: none"> Prosperity within our communities Community projects and initiatives 	Where You Can Read More  Read more on pages 19, 74, 75 and 96.
 Suppliers: To trade with honesty and integrity, and to source quality raw materials, finished products and services		
How We Engage <ul style="list-style-type: none"> Quality audits Due diligence ABC training Third Party Code of Conduct 	Material Interests <ul style="list-style-type: none"> Fair Payment Terms Long term relationships 	Where You Can Read More  Read more on pages 69 to 73, 96 and 102.
 Regulatory Authorities: To meet high standards of product safety and efficacy		
How We Engage <ul style="list-style-type: none"> Regulatory training for employees Manufacturing facility inspections Market authorisation applications Product safety update reports (PSURs) 	Material Interests <ul style="list-style-type: none"> Safety Efficacy Responsible marketing of regulated pharmaceuticals 	Where You Can Read More  Read more on pages 42 to 45.